

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Township of Stockbridge
Ingham County, Michigan**

FINANCIAL STATEMENTS

March 31, 2004

Township of Stockbridge

Ingham County, Michigan

March 31, 2004

BOARD OF TRUSTEES

Taylor Allen

Supervisor

Mary Wilson

Clerk

Diane Wilson

Treasurer

Robert Wilson

Trustee

Paul Risner

Trustee

Township of Stockbridge

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Stockbridge
Stockbridge, Michigan

We have audited the accompanying combined financial statements of the Township of Stockbridge, Ingham County, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the Township has not maintained a complete record of its general fixed assets and, accordingly, a statement of General Fixed Assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Stockbridge, Michigan as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The individual fund financial statements and schedules listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Township of Stockbridge, Ingham County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 5, 2004

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COMBINED FINANCIAL STATEMENTS

Township of Stockbridge

COMBINED BALANCE SHEET - ALL FUND TYPES

March 31, 2004

	Governmental Fund Type	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	General	Enterprise (Fire Fund)	Agency Funds	
ASSETS				
Cash and cash equivalents	\$ 193,164	\$ 19,177	\$ 7,254	\$ 219,595
Cash and cash equivalents - restricted	-	-	23,374	23,374
Investments	163,977	-	-	163,977
Accounts receivable	-	2,207	-	2,207
Due from other funds	5,816	40,337	-	46,153
Due from other governmental units				
Local	8,644	51,084	-	59,728
Advances to other funds	90,000	-	-	90,000
Fixed assets (net of depreciation)	-	180,540	-	180,540
TOTAL ASSETS	\$ 461,601	\$ 293,345	\$ 30,628	\$ 785,574
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 3,284	\$ 520	\$ -	\$ 3,804
Accrued liabilities	3,359	-	-	3,359
Due to other funds	40,337	-	5,816	46,153
Due to individuals and others	-	-	23,768	23,768
Due to other governmental units	-	-	1,044	1,044
Advances from other funds	-	90,000	-	90,000
TOTAL LIABILITIES	46,980	90,520	30,628	168,128
FUND EQUITY				
Retained earnings	-	202,825	-	202,825
Fund balance				
Reserved for advances	90,000	-	-	90,000
Unreserved - undesignated	324,621	-	-	324,621
TOTAL FUND EQUITY	414,621	202,825	-0-	617,446
TOTAL LIABILITIES AND FUND EQUITY	\$ 461,601	\$ 293,345	\$ 30,628	\$ 785,574

See accompanying notes to combined financial statements.

Township of Stockbridge

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPE

Year Ended March 31, 2004

	<u>General</u>
REVENUES	
Taxes	\$ 89,792
Licenses and permits	53,415
Intergovernmental	146,858
Charges for services	43,671
Interest and rents	10,352
Other	<u>37,355</u>
TOTAL REVENUES	381,443
EXPENDITURES	
General government	146,932
Public safety	112,759
Public works	15,723
Health and welfare	15,000
Community and economic development	7,181
Recreation and cultural	1,728
Other	<u>16,362</u>
TOTAL EXPENDITURES	<u>315,685</u>
EXCESS OF REVENUES OVER EXPENDITURES	65,758
Fund balance, beginning of year	381,712
Prior period adjustment	<u>(32,849)</u>
Fund balance, end of year	<u><u>\$ 414,621</u></u>

See accompanying notes to combined financial statements.

Township of Stockbridge

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 85,137	\$ 89,792	\$ 4,655
Licenses and permits	53,417	53,415	(2)
Intergovernmental	146,858	146,858	-
Charges for services	36,067	43,671	7,604
Interest and rents	10,263	10,352	89
Other	8,464	37,355	28,891
TOTAL REVENUES	340,206	381,443	41,237
EXPENDITURES			
General government	153,569	146,932	6,637
Public safety	113,638	112,759	879
Public works	31,158	15,723	15,435
Health and welfare	15,000	15,000	-0-
Community and economic development	7,181	7,181	-0-
Recreation and cultural	1,826	1,728	98
Other	16,362	16,362	-0-
TOTAL EXPENDITURES	338,734	315,685	23,049
EXCESS OF REVENUES OVER EXPENDITURES	1,472	65,758	64,286
Fund balance, beginning of year	381,712	381,712	-0-
Prior period adjustment	-	(32,849)	(32,849)
Fund balance, end of year	\$ 383,184	\$ 414,621	\$ 31,437

See accompanying notes to combined financial statements.

Township of Stockbridge

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE

Year Ended March 31, 2004

	<u>Fire Fund</u>
REVENUES	
Charges for services	
Fire runs	\$ 99,135
Retainer fees	<u>39,356</u>
TOTAL OPERATING REVENUES	138,491
OPERATING EXPENSES	
Salaries	36,595
Payroll taxes	445
Contractual services	2,306
Supplies	10,812
Insurance	15,686
Utilities	5,115
Training	580
Communications	2,111
Repairs and maintenance	15,415
Other	332
Depreciation	<u>23,904</u>
TOTAL OPERATING EXPENSES	<u>113,301</u>
OPERATING INCOME	25,190
NON-OPERATING REVENUES	
Interest expense	<u>(4,500)</u>
NET INCOME	20,690
Retained earnings, beginning of year	<u>182,135</u>
Retained earnings, end of year	<u><u>\$ 202,825</u></u>

See accompanying notes to combined financial statements.

Township of Stockbridge

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

Year Ended March 31, 2004

	<u>Fire Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 25,190
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	23,904
(Increase) in accounts receivable	(2,207)
(Increase) in due from other funds	(2,802)
(Increase) in due from other governmental units	(10,261)
(Decrease) in accounts payable	(2,125)
(Decrease) in due to other funds	<u>(30,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,699
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest expense	<u>(4,500)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(2,801)
Cash and cash equivalents, beginning of year	<u>21,978</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,177</u></u>

See accompanying notes to the combined financial statements.

Township of Stockbridge

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES

Stockbridge Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of the Township of Stockbridge. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the combined financial statements of Stockbridge Township contain all the funds controlled by the Township Board.

2. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

PROPRIETARY FUND

- a. Enterprise Fund (Fire Fund) - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

- a. Agency Funds (Current Tax Collections, Trust and Agency) - The Agency Funds are used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes), licenses, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

3. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements were prepared on a basis consistent with the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were not material to original appropriations that were adopted.

Township of Stockbridge
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Cash and Cash Equivalents

Cash and cash equivalents consist of regular and money market checking and savings accounts. Cash and cash equivalents are recorded at market value.

5. Investments

Investments are recorded at cost, which approximates market value. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

6. Property Tax

The Township of Stockbridge bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 28. All property taxes not paid by February 28 are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1. The Ingham County Treasurer remits payment to the Township on all delinquent real property taxes. The Township then remits these delinquent payments to the applicable units. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2004, the Township levied 0.8004 mills per \$1,000 or assessed valuation for general governmental services. The total taxable value for the 2003 levy for property within the Township was \$104,339,466.

7. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. However, the Township has not included the General Fixed Asset Account Group in this report.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

8. Comparative Data

Comparative data for the prior year has not been presented in each of the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Columns on Combined Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present assets, liabilities, and fund balance, and revenues, expenditures, and changes in fund balance in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash, cash equivalents, and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular and money market checking accounts	\$ 242,869	\$ 127,012
Certificate of deposits	<u>163,977</u>	<u>163,977</u>
	<u>\$ 406,846</u>	<u>\$ 290,989</u>

Township of Stockbridge

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$200,000 and the amount of \$90,989 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note B. The following summarizes the categorization of these amounts as of March 31, 2004:

Cash and cash equivalents	\$ 219,595
Cash and cash equivalents - restricted	23,374
Investments	<u>163,977</u>
	<u>\$ 406,946</u>

The cash and cash equivalents caption on the balance sheet include \$100 in imprest cash.

NOTE D: CASH AND CASH EQUIVALENTS - RESTRICTED

The amounts shown in the Trust and Agency Fund as cash and cash equivalents - restricted relates to performance deposits for driveways and trailers.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		General	
Trust and Agency	\$ 1,029	Fire Fund	\$ 40,337
Current Tax Fund	<u>4,787</u>		
	5,816	Trust and Agency	
		Trust and Agency	
		General	1,029
Fire Fund		Current Tax Fund	
General	<u>40,337</u>	General	<u>4,787</u>
			<u>5,816</u>
	<u>\$ 46,153</u>		<u>\$ 46,153</u>

Township of Stockbridge

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2004

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

Interfund receivable and payable balances described as Advances To and Advances From Other Funds on the Combined Balance Sheet reflect amounts advanced from or to a particular fund by another fund of the Township. These amounts are long-term obligations due and payable over greater than a one year time period.

The following schedule details advances to and from other funds at March 31, 2004:

<u>Fund</u>	<u>Advance To</u>	<u>Advance From</u>
General Fund		
Fire Fund	\$ 90,000	\$ -
Enterprise Fund		
Fire Fund		
General	-	90,000
	<u>\$ 90,000</u>	<u>\$ 90,000</u>

NOTE G: FIXED ASSETS

A summary of Proprietary Fund Type fixed assets at March 31, 2004:

	<u>Enterprise</u>
Land	\$ 53,946
Equipment	<u>582,674</u>
Total	636,620
Less: accumulated depreciation	<u>(456,080)</u>
Net fixed assets	<u>\$ 180,540</u>

Depreciation expense in the Fire fund amounted to \$23,904.

NOTE H: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following fund balance reserve has been established as of March 31, 2004:

<u>Fund Balance</u>	
General Fund	
Reserved for advances to other funds	<u>\$ 90,000</u>

Township of Stockbridge

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2004

NOTE I: PRIOR PERIOD ADJUSTMENT

The following prior period adjustment was made during the period, which was the result of the correction of an accounting error. This adjustment was reported as a change to the beginning fund balance. The effect on operations and other affected balances for the current and prior period are as follows:

	<u>March 31,</u> <u>2004</u>	<u>March 31,</u> <u>2003</u>	<u>Description</u>
General Fund			
Due from other governmental units	\$ -	\$(32,849)	Correct overstated
Revenue over (under) expenditures	-	(32,849)	due from State
Fund balance - beginning	(32,849)	-	

NOTE J: RETIREMENT PLAN

The Township of Stockbridge is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Stockbridge Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a pre-established contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended March 31, 2004, the Township of Stockbridge made contributions for all eligible participating employees equal to 8.8% of their base compensation. To be eligible to participate, employees must be either elected officials or custodians for the Township.

All eligible employees participate in the plan. The contributions fund the premiums for ordinary life insurance tax deferred annuities and various pooled investment funds with the Manufacturers Life Insurance Company.

For the year ended March 31, 2004, the Township had a total payroll of \$126,995. The Township of Stockbridge Retirement Plan covered a payroll of \$69,489. The Township made contributions to the retirement plan in the amount of \$6,115.

NOTE K: BUILDING DEPARTMENT FINANCIAL INFORMATION

The Township elected to report the financial activities of the building department in the general fund. The following is the required information as it relates to this department for the activity for the period April 1, 2003 to March 31, 2004:

REVENUES	
Building permits	\$ 53,325
EXPENDITURES	
Personal services and fringes	43,863
Contractual services	250
Other	<u>6,314</u>
TOTAL EXPENDITURES	<u>50,427</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 2,898</u>

Township of Stockbridge

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2004

NOTE L: RISK MANAGEMENT

The Township is exposed to various risks of loss for workers' compensation claims for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, in-land marine, errors and omissions, crime, employee bonding, property and liability losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

NOTE M: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by Stockbridge Township no later than the fiscal year ending March 31, 2005; the retroactive reporting of infrastructures, if any, must be implemented no later than the year ending March 31, 2009.

SUPPLEMENTAL FINANCIAL INFORMATION

Township of Stockbridge

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current tax levy	\$ 79,011	\$ 85,166	\$ 6,155
Penalties and interest	6,126	4,626	(1,500)
Total taxes	85,137	89,792	4,655
Licenses and permits			
Building permits	53,327	53,325	(2)
Trailer permits	90	90	-0-
Total licenses and permits	53,417	53,415	(2)
Intergovernmental			
State			
Sales and use tax	146,858	146,858	-
Charges for services			
Board of Appeals	3,368	3,368	-0-
Administration fees	30,985	38,589	7,604
Zoning fees	224	224	-0-
Land splits	1,490	1,490	-0-
Total charges for services	36,067	43,671	7,604
Interest and rents			
Interest	7,450	7,539	89
Rents	2,813	2,813	-0-
Total interest and rents	10,263	10,352	89
Other			
Insurance premium refund	-	28,890	28,890
Refunds and rebates	8,461	8,462	1
Other	3	3	-0-
Total other	8,464	37,355	28,891
TOTAL REVENUES	340,206	381,443	41,237

Township of Stockbridge

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General government			
Township Board			
Salaries	\$ 2,785	\$ 2,785	\$ -0-
Insurance	10,515	10,514	1
Professional fees	11,572	11,243	329
Printing and publishing	3,912	3,665	247
Contributions	500	500	-0-
Miscellaneous	2,197	563	1,634
Total township board	31,481	29,270	2,211
Supervisor			
Salary	21,600	21,600	-0-
Clerk			
Salary	19,000	19,000	-0-
Supplies	139	109	30
Education	75	75	-0-
Miscellaneous	308	308	-0-
Total clerk	19,522	19,492	30
Board of review			
Salaries	665	665	-0-
Printing and publishing	143	143	-0-
Total board of review	808	808	-0-
Treasurer			
Salary	19,200	19,200	-0-
Supplies	414	410	4
Printing and publishing	1,925	1,929	(4)
Contracted services	240	240	-0-
Education	695	695	-0-
Miscellaneous	169	169	-0-
Total treasurer	22,643	22,643	-0-
Assessor			
Contracted services	23,375	21,059	2,316

Township of Stockbridge

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
General government - continued			
Elections			
Office supplies	\$ 110	\$ 110	\$ -0-
Printing and publishing	262	262	-0-
Contracted services	101	101	-0-
Miscellaneous	50	50	-0-
Total elections	523	523	-0-
Buildings and grounds			
Salaries	7,835	7,835	-0-
Supplies	630	221	409
Contracted services	2,219	1,008	1,211
Printing and publishing	52	412	(360)
Repairs and maintenance	2,231	1,313	918
Equipment	2,144	1,989	155
Communications	2,155	1,705	450
Utilities	7,655	8,315	(660)
Insurance	7,225	7,225	-0-
Contributions	496	496	-0-
Miscellaneous	183	226	(43)
Total buildings and grounds	32,825	30,745	2,080
Cemetery			
Insurance	30	30	-0-
Contributions	282	282	-0-
Repairs and maintenance	480	480	-0-
Total cemetery	792	792	-0-
Total general government	153,569	146,932	6,637
Public safety			
Fire department			
Contracted services	62,332	62,332	-0-

Township of Stockbridge

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Public safety - continued			
Building inspections			
Salaries	\$ 41,703	\$ 41,703	\$ -0-
Payroll taxes	2,160	2,160	-0-
Supplies	233	233	-0-
Land divisions	1,358	812	546
Contracted services	250	250	-0-
Utilities	1,807	1,807	-0-
Repairs and maintenance	98	463	(365)
Communications	542	319	223
Printing and publishing	900	425	475
Education	969	969	-0-
Miscellaneous	1,181	1,181	-0-
Equipment	105	105	-0-
Total building inspections	51,306	50,427	879
Total public safety	113,638	112,759	879
Public works			
Drain at large	4,855	4,855	-0-
Highways and streets	26,303	10,868	15,435
Total public works	31,158	15,723	15,435
Health and welfare			
Ambulance			
Contracted services	15,000	15,000	-0-
Community and economic development			
Zoning Board			
Salaries	2,705	2,705	-0-
Printing and publishing	517	517	-0-
Total zoning board	3,222	3,222	-0-
Planning commission			
Commissioners' salaries	1,885	1,885	-0-
Contracted services	1,192	1,192	-0-
Printing and publishing	882	882	-0-
Total planning commission	3,959	3,959	-0-
Total community and economic development	7,181	7,181	-0-

Township of Stockbridge

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Recreation and cultural			
Library			
Salaries	\$ 600	\$ 600	\$ -0-
Repairs and maintenance	204	106	98
Insurance	1,022	1,022	-0-
Total recreation and cultural	1,826	1,728	98
Other			
Payroll taxes	8,795	8,795	-0-
Pension plan	6,115	6,115	-0-
Unemployment	541	541	-0-
Utilities	124	124	-0-
Contracted services	687	687	-0-
Contributions	100	100	-0-
Total other	16,362	16,362	-0-
TOTAL EXPENDITURES	338,734	315,685	23,049
EXCESS OF REVENUES OVER EXPENDITURES	1,472	65,758	64,286
Fund balance, beginning of year	381,712	381,712	-0-
Prior period adjustment	-	(32,849)	(32,849)
Fund balance, end of year	\$ 383,184	\$ 414,621	\$ 31,437

Township of Stockbridge

Agency Funds

COMBINING BALANCE SHEET

March 31, 2004

	Trust and Agency	Current Tax Collections	Total
ASSETS			
Cash and cash equivalents	\$ 2,467	\$ 4,787	\$ 7,254
Cash and cash equivalents - restricted	23,374	-	23,374
TOTAL ASSETS	<u>\$ 25,841</u>	<u>\$ 4,787</u>	<u>\$ 30,628</u>
LIABILITIES			
Due to other funds	\$ 1,029	\$ 4,787	\$ 5,816
Due to individuals and others	23,768	-	23,768
Due to other governmental units	1,044	-	1,044
TOTAL LIABILITIES	<u>\$ 25,841</u>	<u>\$ 4,787</u>	<u>\$ 30,628</u>

Township of Stockbridge

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

	<u>Trust and Agency Fund</u>			
	<u>Balance Apr. 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Mar. 31, 2004</u>
ASSETS				
Cash and cash equivalents	\$ 2,396	\$ 71	\$ -	\$ 2,467
Cash and cash equivalents - restricted	<u>5,040</u>	<u>18,334</u>	<u>-</u>	<u>23,374</u>
TOTAL ASSETS	<u>\$ 7,436</u>	<u>\$ 18,405</u>	<u>\$ -0-</u>	<u>\$ 25,841</u>
LIABILITIES				
Due to other funds	\$ 1,029	\$ -	\$ -	\$ 1,029
Due to individuals and others	5,363	18,405	-	23,768
Due to other governmental units	<u>1,044</u>	<u>-</u>	<u>-</u>	<u>1,044</u>
TOTAL LIABILITIES	<u>\$ 7,436</u>	<u>\$ 18,405</u>	<u>\$ -0-</u>	<u>\$ 25,841</u>

	<u>Current Tax Collections Fund</u>			
	<u>Balance Apr. 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Mar. 31, 2004</u>
ASSETS				
Cash	<u>\$ 748,644</u>	<u>\$ 3,786,075</u>	<u>\$ 4,529,932</u>	<u>\$ 4,787</u>
LIABILITIES				
Due to other funds	\$ 98,856	\$ 2,093,518	\$ 2,187,587	\$ 4,787
Due to other governmental units	<u>649,788</u>	<u>1,692,557</u>	<u>2,342,345</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>\$ 748,644</u>	<u>\$ 3,786,075</u>	<u>\$ 4,529,932</u>	<u>\$ 4,787</u>

Township of Stockbridge
SCHEDULE OF FIRE RUN EXPENSES
March 31, 2004

FIRE FUND

OPERATING EXPENSES

Salaries and wages	\$ 36,595
Payroll taxes	445
Contractual services	2,306
Supplies	10,812
Insurance	15,686
Utilities	5,115
Training	580
Communications	2,111
Repairs and maintenance	15,415
Other	332
Depreciation	<u>23,904</u>

TOTAL OPERATING EXPENSES	113,301
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Less: Depreciation	<u>(23,904)</u>
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TOTAL SHARED OPERATING EXPENSES	<u><u>\$ 89,397</u></u>
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	NUMBER OF HOURS FOR FIRE RUNS	SHARE OF OPERATING EXPENSES
Stockbridge Township	72.00	\$ 38,313
Waterloo Township	65.50	34,854
White Oak Township	18.50	9,844
Bunker Hill Township	<u>12.00</u>	<u>6,386</u>
	<u><u>168.00</u></u>	<u><u>\$ 89,397</u></u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
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REPORT ON INTERNAL CONTROL

To the Members of the Township Board
Township of Stockbridge
Stockbridge, Michigan

We have audited the combined financial statements of the Township of Stockbridge, Michigan as of and for the year ended March 31, 2004, and have issued our report thereon dated July 16, 2004.

In planning and performing our audit of the combined financial statements of the Township of Stockbridge for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control.

The management of the Township of Stockbridge is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We noted the following reportable condition.

FIXED ASSETS

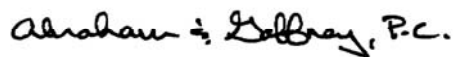
As noted in the financial statements, the Township has not maintained a detailed record of general fixed assets and a General Fixed Assets Account Group has not been recorded in the financial statements as required by accounting principles generally accepted in the United States of America. This issue had been noted and reported in our audit comments last year.

It is important that the Township establish controls over the addition, disposal, and inventory process related to fixed assets to assure accountability. We recommend the Township set a capitalization threshold and complete a physical inventory of all applicable fixed assets and determine the historical or estimated historical cost of each applicable item. We also recommend that the Township assign useful lives to the assets and determine an approximate date of acquisition so that depreciation may be calculated as required by Governmental Accounting Standards Board Statement Number 34.

A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the reportable conditions described above are not believed to be material weaknesses.

This report is intended solely for the information and use of management and the Township Board of the Township of Stockbridge and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." with a stylized flourish at the end.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 5, 2004

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MANAGEMENT LETTER

To the Members of the Township Board
Township of Stockbridge
Stockbridge, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Stockbridge, Michigan for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, financial reporting, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

2. The Township should maintain each fund separately in the accounting software.

The Township maintains accounting records using a commercially available software package. When the chart of accounts was initially setup, it was organized according to the Township's bank accounts. As a result, three of the Township's four funds (including funds that are presented using a different basis of accounting) are aggregated in the software.

As discussed in Note A to the financial statements, the general ledger accounts of the Township should be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund should be accounted for with a separate set of self balancing accounts that comprise it's assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses. Public Act 2 of 1968, as amended, requires local governments to implement the Michigan Department of Treasury's Uniform Chart of Accounts for Counties and Local Units of Government.

We suggest that the Township review its existing chart of accounts and revise as necessary to maintain each fund separately as required by Public Act 2 of 1968, as amended.

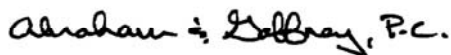
3. Township personnel should obtain training on the use of the accounting software.

During the course of our audit, we noted several bookkeeping errors that were made because of an apparent lack of training on how to use the accounting software. As a result, additional audit time was expended and the Township's audit was delayed. Additionally, we noted that the "audit trail" function in the software had not been enabled. Having this function disabled allows users to make changes to accounting information without any trail being left in the accounting system.

We suggest that Township personnel obtain the appropriate training on the accounting software. We also suggest that the "audit trail" function be enabled permanently to strengthen and improve internal control.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated July 16, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Stockbridge, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 5, 2004